



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE August 10, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Human Services for the year ended June 30, 2004.

The Iowa Department of Human Services provides assistance of many types to Iowans in need. The Department also is responsible for the mental health institutions, hospital/schools, and juvenile institutions.

The report contains recommendations that the Department:

- (1) Improve controls over cash receipts and Purchase of Service Data System (POSS) payments in the field offices.
- (2) Improve segregation of duties for P-1 approvals and reconcile Medicaid county billing accounts receivable in the central office.
- (3) Comply with established guidelines related to various programs such as child support enforcement, child care assistance, temporary assistance for needy families (TANF), foster care, adoption assistance and child support enforcement.
- (4) Comply with provisions of the Code of Iowa which require the maintenance of an accurate and up-to-date listing of capital assets owned by the Department.
- (5) Comply with provisions of Executive Order Number 25 related to services contracting.

The report also includes the Department's responses to the recommendations.

A copy of the report is available for review at the Iowa Department of Human Services or the Office of Auditor of State.

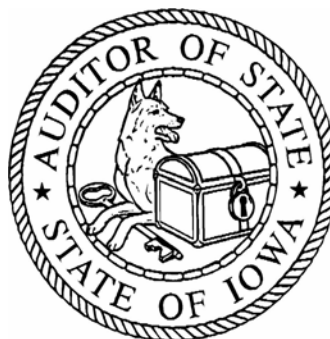
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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF HUMAN SERVICES**

JUNE 30, 2004

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State



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STATE OF IOWA

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Des Moines, Iowa 50319-0004

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August 4, 2005

To the Council Members of the
Iowa Department of Human Services:

The Iowa Department of Human Services is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2004.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Services may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Department of Human Services during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 20 and they are available to discuss these matters with you.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2004

Findings Reported in the State's Single Audit Report:

CFDA Number: 10.551 – Food Stamps

Agency Number: 008016199S6008

Federal Award Year: 2004

State of Iowa Single Audit Report Comment: 04-III-USDA-401-1

- (1) Electronic Benefit Transfer (EBT) Processing – Under the electronic benefits transfer system, food stamp clients are issued magnetic cards that allow clients to access their benefits at point-of-sale terminals. The Department has contracted with an outside service organization, Affiliated Computer Services – State and Local Solutions, Inc. (ACS), to administer this system. During a required Statement on Auditing Standards (SAS) 70 Service Organizations review of ACS performed by other auditors, control deficiencies were reported for the time period May 1, 2003 to April 30, 2004.

As stated in the Independent Service Auditor's Report, ACS controls did not restrict a developer's access to the production environment for the settlement application Electronic Payment Processing and Information Control (EPPIC™). Such access was granted to allow the developer to resolve production problems. This deficiency resulted in the controls not being suitably designed to achieve the following control objectives: controls provide reasonable assurance changes to applications are authorized, tested, approved, properly implemented and documented and controls provide reasonable assurance logical access to production programs and data is granted to appropriately authorized individuals.

Recommendation – The Department should ensure corrective action is taken by ACS for the control deficiencies identified during the SAS 70 Service Organizations review.

Response and Corrective Action Planned – Per management response provided by ACS, the developer's access was removed on May 15, 2004. This corrective action has been verified by the Department.

Conclusion – Response accepted.

CFDA Number: 10.561 – State Administrative Matching Grants for Food Stamp Program

Agency Number: 2002IS251443/2003IS251443

Federal Award Year: 2002, 2003

CFDA Number: 93.558 – Temporary Assistance for Needy Families

Agency Number: G-0201IATANF/G-0301IATANF

Federal Award Year: 2002, 2003

CFDA Number: 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Agency Number: G-0101IACCDF/G-0201IACCDF/G-0301IACCDF

Federal Award Year: 2001, 2002, 2003

CFDA Number: 93.658 – Foster Care – Title IV-E

Agency Number: G-0201IA1401/G-0301IA1401

Federal Award Year: 2002, 2003

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CFDA Number: 93.659 – Adoption Assistance
Agency Number: G-0201IA1407/G-0301IA1407
Federal Award Year: 2002, 2003

CFDA Number: 93.778 – Medical Assistance Program
**Agency Number: 5-0105IA5028/5-0205IA5028/5-0205IA5048/5-0305IA5028/
5-0305IA5048**
Federal Award Year: 2001, 2002, 2003

State of Iowa Single Audit Report Comment: 04-III-USDA-401-4/04-III-HHS-401-9

- (2) Subrecipient Audit Report Review – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract and grant. The Department monitors subrecipients through the review of subrecipient audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133.

County governments receive federal funding from the program noted above. Of these ninety-nine subrecipients, 18 were required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2003. The Department did not review an audit report for three of these 18 subrecipients during the year ended June 30, 2004. For one of these three subrecipients, the Department also did not review an audit report for the fiscal year ended June 30, 2002.

Recommendation – The Department should ensure audit reports are reviewed for all subrecipients required to have an audit in accordance with OMB Circular A-133.

Response and Corrective Action Planned – The Department will revise its subrecipient monitoring process to include preparation of a list of the audit reports needed, completion of an inventory of reports received and follow-up with those subrecipients that have not submitted reports through a formal notification process.

Conclusion – Response accepted.

CFDA Number: 93.558 – Temporary Assistance for Needy Families
Agency Number: G-03011ATANF/G-04011ATANF
Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-401-7

- (3) Temporary Assistance for Needy Families (TANF) – The TANF program provides assistance payments to individuals based upon an application of need.

The following conditions were identified during the fiscal year 2004 case file testing:

- (a) Title 4-G-32 and 4-G-33 of the Employees' Manual states, in part, when State Income and Eligibility Verifications System (IEVS) information is received, the worker should determine if the information was previously reported, verify new and previously unverified information, note and date information on the IEVS report and file it in the case record. For sixteen of the 37 cases reviewed, the IEVS review was not documented in the case file.

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- (b) The TANF State Plan includes family centered services as allowable TANF expenditures. Title 18-A-55 of the Employees' Manual states when a child is in foster care placement, a case review of the status of the child must be conducted no less frequently than once every six months. Five of the 37 cases reviewed were for family centered services. For four of these five cases, the periodic review was not completed within the six month time frame.
- (c) Title 4-C-8 of the Employee's Manual states, in part, the parent/caretaker must assign all rights to support from any other person to DHS. For two of the 37 cases reviewed, the form assigning all rights to support could not be located.
- (d) Title 4-C-1 of the Employees' Manual states, in part, the fundamental qualification for Family Investment Program (FIP) benefits (the State's TANF program) is there is a dependent child who is living with a specified relative. During foster care case file testing, for one of 32 cases reviewed, TANF/FIP benefits were paid to the family while the child was in foster care.

Recommendation – The Department should implement procedures to ensure compliance with the Employees' Manual.

Response and Corrective Action Planned –

- (a) This issue is being referred to the Income Maintenance Business Team (IMBT) for a discussion and a plan of action. Response from IMBT is due April 28, 2005.
- (b) It is agreed a case plan review should have been completed within the six month time frame under review. Service Help Desk staff will review this policy with staff during the bi-monthly field teleconference call scheduled for April 28, 2005.
- (c) On these two cases the error has been discussed with the income maintenance worker and the supervisor will ensure compliance.
- (d) On this individual case, the error has been discussed with the social worker and the supervisor will ensure compliance.

Conclusion – Response accepted.

CFDA Number: 93.558 – Temporary Assistance for Needy Families

Agency Number: G-0301IATANF/G-0401IATANF

Federal Award Year: 2003, 2004

CFDA Number: 93.575 – Child Care and Development Block Grant

Agency Number: G-0201IACCDF/G-0301IACCDF/G-0401IACCDF

Federal Award Year: 2002, 2003, 2004

CFDA Number: 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Agency Number: G-0201IACCDF/G-0301IACCDF/G-0401IACCDF

Federal Award Year: 2002, 2003, 2004

CFDA Number: 93.658 – Foster Care – Title IV-E

Agency Number: G-0301IA1401/G-0401IA1401

Federal Award Year: 2003, 2004

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CFDA Number: 93.659 – Adoption Assistance
Agency Number: G-0301IA1407/G-0401IA1407
Federal Award Year: 2003, 2004

CFDA Number: 93.778 – Medical Assistance Program
**Agency Number: 5-0205IA5028/5-0305IA5028/5-0305IA5048/5-0405IA5028/
5-0405IA5048**
Federal Award Year: 2002, 2003, 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-401-8

- (4) DHS Field Office Internal Controls – For fiscal year 2004, twelve county offices and three Child Support Recovery Unit (CSRU) offices were visited. In conjunction with this limited review, the following conditions were noted.

In five county offices, the person who sends the receipt to central office also compares the validated transmittal from central office to the receipt in the receipt log or receipt book. For four of these five county offices, the person can also prepare the receipt.

In three county offices, the person who enters invoices for payment onto the Purchase of Service Data System (POSS) is also able to receive and review the transaction report from central office. For two of these three county offices, the person can also enter provider agreements onto POSS. In addition, for one of these two county offices, the person can approve the payment to the provider.

Recommendation – The Department should implement changes to strengthen internal control and develop policies and procedures to ensure compliance with the Employees' Manual.

Response and Corrective Action Planned – The Service Area Managers for the five counties who are out of compliance will write and implement a corrective plan for each county to ensure the counties comply with Employees' Manual 23-B by April 4, 2005. The corrective action plans implemented will ensure a segregation of duties between the person who prepares the receipt, the person who sends the receipt to central office and the person who compares the validated receipt from central office to the receipt in the receipt log or receipt book.

The Service Area Managers for the three counties who are out of compliance will write and implement a corrective action plan by April 4, 2005 for each county to ensure one person enters provider agreements onto POSS, a separate person enters invoices for payment onto POSS and a separate person receives and reviews the transaction report from central office.

Conclusion – Response accepted.

June 30, 2004

CFDA Number: 93.563 – Child Support Enforcement

Agency Number: G-0304IA4004, G-0404IA4004

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-401-10

- (5) Child Support Enforcement Referral – Title 45 Code of Federal Regulations (CFR) 303.7(b)(2) states, in part, the IV-D agency must, within 20 calendar days of determining the non-custodial parent is in another state, refer any interstate IV-D case to the responding state's interstate central registry for action, including requests for location, document verification, administrative reviews in federal income tax refund offset cases, wage withholding and state income tax refund offset. For one of the five cases reviewed, the case was not referred within 20 calendar days.

Recommendation – The Department should implement procedures to ensure compliance with 45 CFR 303.7(b)(2).

Response and Corrective Action Planned – In one of five cases reviewed, the Child Support Recovery Unit did not refer this case to the responding interstate central registry within the required 20 calendar day timeframe. This case has been reviewed with the local child support office. Automated system flags direct the caseworkers through the interstate process. In this case, the caseworker was waiting for receipt of information from the custodial parent before making the interstate referral. The caseworker did not work the calendar flag timely regarding receipt of the information and made the interstate referral after the 20 day timeframe had lapsed. Procedures have been discussed with this caseworker regarding the need to process system flags timely to ensure compliance with federal timelines.

Conclusion – Response accepted.

CFDA Number 93.575 – Child Care and Development Block Grant

Agency Number: G-0201IACCDF, G-0301IACCDF, G-0401IACCDF

Federal Award Year: 2002, 2003, 2004

CFDA Number 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Agency Number: G-0201IACCDF, G-0301IACCDF, G-0401IACCDF

Federal Award Year: 2002, 2003, 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-401-14

- (6) Child Care Assistance – The Child Care Assistance program provides assistance payments for child care services.

The following conditions were identified during the fiscal year 2004 case file testing:

- (a) Title 14-L-6 of the Employees' Manual states, in part, that before an invoice is processed an authorized person at the local office level is to approve the invoice for payment. This person should be different from the individual on-lining the invoice onto the Purchase of Service Data System (POSS). For five of 33 cases reviewed, the person approving the paper invoice was the same as the individual on-lining the invoice onto POSS.

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- (b) Title 13-G-73 of the Employees' Manual states, in part, provider invoices are to be reviewed to verify the units billed are within the units authorized by the Notice of Decision. For one of the 33 cases reviewed, the number of units charged exceeded the number of units authorized per the Notice of Decision.
- (c) Title 13-G-25 of the Employees' Manual sets a monthly gross income limit for child care assistance eligibility. For one of the 33 cases reviewed, the individual applied for benefits in August 2003, at which time the individual's income was over the limit. Child care services were paid August 2003 through mid-October 2003 when a Notice of Decision was issued canceling the benefits due to exceeding the income limit.
- (d) Title 13-G-61 of the Employees' Manual requires a fee to be assessed for each half-day unit of service for families above 100% of the federal poverty guidelines. For one of the 33 cases reviewed, the Notice of Decision established a fee to be assessed. However, fees were not assessed to the individual.

Recommendation – The Department should implement procedures to ensure compliance with the Employees' Manual.

Response and Corrective Action Planned –

- (a) The Service Area Manager for the county involved will write and implement a corrective action plan by April 4, 2005 to ensure one person approves the child care invoice and another person on-lines the invoice onto POSS.
- (b) On this individual case, the error has been discussed with the income maintenance worker and the supervisor will ensure compliance.
- (c) On this individual case, the error has been discussed with the income maintenance worker and the supervisor will ensure compliance.
- (d) On this individual case, the error has been discussed with the income maintenance worker and the supervisor will ensure compliance.

Conclusion – Response accepted.

CFDA 93.658 – Foster Care – Title IV-E

Agency Number: G-0301IA1401/G-0401IA1401

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-401-15

- (7) Foster Care (Title IV-E) – The Title IV-E program provides assistance payments for maintenance, adoption assistance and voluntary foster care.

The following conditions were identified during the fiscal year 2004 case file testing:

- (a) Title 18-A-82 of the Employees' Manual states, in part, the case plan shall be developed within 45 days from the date the judicial notice (court order) is received or within 60 days from the date the state assumed responsibility for providing services, whichever is later. For four of 32 cases reviewed, an initial case plan was not developed within the prescribed limits.

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- (b) Title 18-A-55 of the Employees' Manual states, in part, the case plan shall be re-evaluated every six months. The case plan covering the payment selected was reviewed, as well as the prior and subsequent case plans, when available. For nine of 32 cases reviewed, case plans were not re-evaluated within six months. One of the nine case files selected for review was a case in which the Department had payment responsibility while the file maintenance responsibility of the child was assigned to a Juvenile Court Officer. In three of the remaining nine cases tested, no documentation existed in the case file to verify cases were being re-evaluated every six months.
- (c) Title 18-A-83 of the Employees' Manual states, in part, the case plan shall be re-evaluated within 60 days from the date a child enters foster care. For one of 32 cases reviewed, a case plan was not re-evaluated within 60 days.

Recommendation – The Department should enforce the provisions of the Employees' Manual. In addition, the Department should coordinate with the Court to ensure documentation of six month evaluations are provided to the Department.

Response and Corrective Action Planned –

- (a) Service Help Desk staff will review this policy with field staff during the bi-monthly teleconference call scheduled to be held on April 28, 2005. Supervisors will ensure staff have tracking methods to know when plans are to be completed.
- (b) Service Help Desk staff will review this policy with field staff during the bi-monthly teleconference call scheduled to be held on April 28, 2005. Supervisors will ensure staff have tracking methods to know when plans are to be reviewed.
- (c) On this individual case, the error has been discussed with the social worker and the supervisor will ensure compliance.

Conclusion – Response accepted.

CFDA Number: 93.659 – Adoption Assistance
Agency Number: G-0301IA1407/G-0401IA1407
Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-401-16

- (8) Foster Care (Title IV-E) Adoption Assistance – The Adoption Assistance program provides assistance payments for maintenance and adoption assistance.

The following conditions were identified during the fiscal year 2004 case file testing:

- (a) Title 18-J(1)-41 of the Employees' Manual, effective through June 30, 2004, states, in part, the re-evaluation of the subsidy agreement plan shall not exceed two years. For 19 of 43 cases reviewed, the subsidy agreement was not re-evaluated within the two year time limit.
- (b) For one of 43 cases reviewed, the amount paid by the Department was \$286 more than the amount approved on the adoption subsidy agreement.

Report of Recommendations to the Iowa Department of Human Services

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Recommendation – The Department should implement procedures to ensure compliance with the Employees' Manual.

Response and Corrective Action Planned –

- (a) Rule changes went into effect in March 2004 eliminating the requirement for two year reviews of subsidy agreements.
- (b) On this individual case, the error has been discussed with the social worker and the supervisor will ensure compliance.

Conclusion –

- (a) Response acknowledged. Although federal law may not require two year reviews of adoption subsidy agreements, the Department should establish and maintain procedures which ensure cases are current and accurate.
- (b) Response acknowledged. In addition, the Department should implement recoupment procedures for any payments made in excess of the amount approved.

June 30, 2004

Findings Related to Internal Control:

- (1) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements. For seven pay periods tested, the same employee provided both the Personnel Assistant (PA) and Department level approvals for the P-1 documents on the automated Human Resource Information System (HRIS).

Recommendation – Duties should be segregated so the same person does not provide both levels of approval for the same P-1 document.

Response – A review of the day-to-day steps followed for processing time sheet and P-1 approvals was performed by the Bureau of Employee Services this past year following the previous audit report. The practice, effective June 11, 2004, for the approval process for processing timesheets and P-1's was modified to limit approvals made consecutively for a single employee by a Personnel Assistant (known as a Human Resource Associate or HRA at DHS). A HRA staff member makes the employee or supervisor approval for DHS employees in their assigned areas and a different HRA member, not working with the same area on a day-to-day basis, reviews and makes the Department approval entry. If an employee action or request requires processing with three levels of internal DHS approval by the Bureau of Employee Services, HRA staff members alternate approvals so no two consecutive levels of approval are made by the same HRA. The Department is not aware of any cases where this practice has been breached since implementation on June 11, 2004.

Conclusion – Response accepted.

- (2) Medicaid County Billing Accounts Receivable Reconciliation – The Department bills counties of legal settlement for the county's share of the cost of Medicaid services provided to individuals. These Medicaid services include enhanced services, community based Intermediate Care Facility for the Mentally Retarded (ICF/MR) services, adult rehabilitation, home and community based service waivers for mental retardation (HCBS/MR) and home and community based service waivers for brain injury (HCBS/BI). The Department maintains a detailed accounts receivable balance by individual on the Accounts Receivable Facilities and Medicaid (ARFacMed) System. Additionally, the accounts receivable balance is recorded in the Department's ledger. As of June 30, 2004, there was a \$495,565 variance between the balance per the ARFacMed System and the Department's ledger.

Recommendation – The Department should implement procedures to ensure the accounts receivable balance per the ARFacMed System and the Department's ledger are reconciled on a regular basis and adjusted as necessary to properly reflect the accounts receivable balance.

Response – The adjustment necessary to bring the ARFacMed system and the Department's ledger into balance will be made and monthly reconciliations of the two will be performed beginning with July 2005.

Conclusion – Response accepted.

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- (3) Migration of Programs to Production – Controls over the modification of application programs help ensure only authorized programs and modifications are implemented. These controls include instituting policies, procedures and techniques to ensure all programs and program modifications are properly authorized, tested and approved and access to programs is carefully controlled. Programmers for the Family and Children Services automated information system have the ability to migrate programs into production.

Recommendation – The Department should implement procedures to ensure programmers do not have the ability to migrate programs into production.

Response – As stated in our exit conference, we have learned that the library where programs are catalogued for migration to production is common to all agencies. Access to this library is controlled by ITE. DHS has no ability to independently control or protect access to it.

We have met with representatives from ITE and as approved for other agencies, the Division of Child Welfare Informational Systems (CWIS) will begin monitoring on a regular basis reports that list all programs migrated to production. ITE, within the next few weeks, will create a job that automatically e-mails to CWIS any DHS-initiated program migrations. An automated e-mail will help to ensure changes are monitored on a 100% basis.

Conclusion – Response accepted.

June 30, 2004

Findings Related to Statutory Requirements and Other Matters:

- (1) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each Department of the state to keep a written, detailed, up-to-date inventory of all real and personal property belonging to the state. The Iowa Department of Human Services utilizes the Integrated Information for Iowa (I/3) system to maintain a listing of assets. The following findings were noted:
- (a) One asset was acquired during fiscal year 2000, but was not recorded to the Department's listing as of June 30, 2004.
 - (b) Two of 27 current year additions tested were purchased during June 2003 but were not added to the Department's listing until fiscal year 2004.
 - (c) Two assets were acquired during fiscal year 2004, but were not added to the Department's listing until fiscal year 2005.
 - (d) Ten of 74 assets tested for existence could not be located.
 - (e) Three of 74 assets tested for existence were disposed of during fiscal year 2004, but were not deleted from the listing.
 - (f) Fifteen of 29 current year deletions tested did not have proper documentation approving the disposal of the assets. Also, of these 15, eleven were disposed of prior to fiscal year 2004.
 - (g) Written procedures exist for reconciling the I/3 system to capital asset activity reported on the GAAP package for statewide reporting purposes. However, these procedures do not appear to be complete, as the source of information is not documented in those procedures for certain elements of the capital asset activity reported on the GAAP package.

Recommendation – The Department should develop procedures to ensure an accurate inventory of all real and personal property belonging to the state is maintained. In addition, DHS should continue to develop procedures to reconcile the I/3 system to amounts reported on the GAAP package for statewide reporting purposes.

Response –

- (a) The Department concurs. This item is a Canon copier and was delivered directly to Refugee Services. The Supply Unit was not notified of the purchase nor provided documentation for adding this item to the inventory. The Supply Unit is currently in the process of confirming the information relating to both the new copier that was received and the old copier that was traded in. The old one will be removed and the new one will be added to the inventory when this information has been confirmed.
- (b) Neither of these assets were received in the Supply Unit and staff were not notified these assets existed until well after they were received (approx. October 24, 2003). The first asset #76611 was actually a duplicate shipment that was received in Mt. Pleasant. The company offered a 20% discount if they kept the additional server so the decision was made to keep it. The second asset #76612 was a tape library that was delivered directly to the Division of Data Management (DDM) Network Area and the Supply Unit staff was not notified of its existence until months later. The Department continues to work towards better communication between DDM and the Supply Unit regarding inventory items that are received. DDM maintains a spreadsheet of goods purchased and this tool is used to monitor goods that are delivered to the department and should be considered capital assets.

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- (c) These two servers were delivered directly to DDM by the vendor and the Supply Unit staff was not made aware of these servers until after the cutoff for adding FY04 equipment.
- (d) Six of these ten assets are assigned to central office locations and four are assigned to Waterloo Service Area tag 72. Of the six assets assigned to central office, one server was sent to surplus on October 6, 2004 and deleted from the inventory on November 23, 2004. The other five are being investigated further and if it is determined they do not exist, they will be deleted from the inventory. Of the four assigned to Waterloo Service Area, three were deleted from the inventory during FY05. The remaining asset will be investigated further and if it is determined this equipment no longer exists, it will be deleted from the inventory.
- (e) Two of these three assets are assigned to central office locations and one is assigned to the Child Support Recovery Unit (CSRU) Eastern Region. The two assigned to central office are both copiers. One copier was owned by Refugee Services and was traded in with no value on January 28, 2000, so this item will be deleted from the inventory. The other central office copier was assigned to Data Management and was traded in, so the Supply Unit will investigate to determine an accurate disposition date for deleting this item. The item assigned to the CSRU Eastern Region is a server, which was deleted on October 22, 2004.
- (f) Eight of these 15 assets were on the central office inventory while the other 7 were on the inventory of field offices. The 8 central office assets consisted of 4 pieces of equipment that were assigned to the food stamp issuance unit. Three of the four were postage/ mailing machines which had previously been switched out with replacement machines, but there was no record of the Supply Unit staff being notified of these switch-outs. These remained on the inventory until the food stamp issuance unit closed and they were removed from the inventory. The fourth item assigned to the food stamp issuance unit was an inserting machine, which was deleted from the inventory per a copy of a signed letter from a Department supervisor to Bell & Howell confirming this item was being picked up and scrapped by their company. One of the four remaining assets was a server that was deleted when it was determined the exact item had been added to both the central office inventory as well as to the Cedar Rapids Service Area inventory. The server exists in the Lee County office (was originally assigned to DDM in central office) so the central office record was deleted. Two of the remaining three items were on the CSRU central office inventory. Per request from CSRU, these two items (a very old desktop PC and an audio response unit) were deleted from the inventory as the request indicated they no longer existed. CSRU did not know when these items were removed, so the disposition date used for these items was the date of the request. The final item was another audio response unit assigned to Child Support Collections (CSC). CSC asked the Supply Unit to delete this item, as it no longer existed. Since it was not known when it was removed, the Supply Unit used the date of the request as the disposition date.

Of the seven assets assigned to the field, two were assigned to tag 73 (Des Moines Service Area) while the other five were assigned to tag 75 (Cedar Rapids Service Area). The Des Moines Service Area could not provide the Supply Unit with supporting documentation for these two deletions. The Cedar Rapids Service Unit provided a letter for the five assets assigned to that unit indicating that during the restructuring in February of 2002 three of these items (a color laser printer, copier, and a postage machine) were turned over to Linn County and became property of the County. The other two items were servers and that unit was unable to locate supporting documentation for the removal date.

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- (g) The Department concurs. In February 2005, a report of all capital assets was distributed to local offices and units within central office. Personnel were instructed to review and update the spreadsheet. All responses were due no later than May 27, 2005. The Department is reviewing the responses to that report to determine where additional information is needed or where changes need to be made to the inventory.

The Department is currently revising the Capital Assets section of the Employee Manual.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following compliance items were noted for fiscal year 2004:

- (a) Chapter 217.15 of the Code of Iowa requires the administrator of the division of administration be qualified in the general field of governmental administration with special training and experience in the areas of competitive bidding, contract letting, accounting and budget preparation.

The division of administration was eliminated when the Department reorganized.

- (b) Chapter 217.40 of the Code of Iowa requires the Department, or a person designated by the director, to establish training programs designed to assist all duly appointed guardians and conservators in understanding their fiduciary duties and liabilities, the special needs of the ward, and how to best serve the ward and the ward's interests.

The Department eliminated the training coordinator position due to budget constraints.

- (c) Chapter 220A.3 of the Code of Iowa designates the administrative agency to provide for a central data control and exchange agency known as the interagency case information service.

The Department has not established an interagency case information service.

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa or the Department should seek the repeal of outdated Code sections or Code sections that are contrary to federal regulations.

Response – In previous legislative sessions, the General Assembly has directed the Department to revise Code sections to more accurately reflect organizational structure changes. The Governor has vetoed these sections indicating that updating the Code is the responsibility of the Code Editor. The Department will work with the Code Editor to identify a process to expedite such Code changes and where necessary, propose and/or support legislation that more accurately reflects the current structure.

Conclusion – Response accepted.

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- (3) DHS Field Office – Iowa Administrative Code Compliance – The following compliance items were noted during field office visits for fiscal year 2004:

- (a) Section 441 Chapter 110.6 of the Iowa Administrative Code requires the Department to check twenty percent or more of all child development homes in each county for compliance with registration requirements during a calendar year.

In two of twelve counties visited, the child development home checks were not being performed.

- (b) Section 441 Chapter 177.6(3) of the Iowa Administrative Code requires a review of the continuing need for in-home health care services at a minimum of every sixty days by the physician, every three months by the service worker and every sixty days by the nurse.

In fourteen of 26 cases tested, this review was not performed within the minimum time frames.

- (c) Section 441 Chapter 202.11 of the Iowa Administrative Code requires the service worker to maintain a continuous relationship with children placed in foster care. For a child placed in a foster family home, the worker is required to visit the child at least monthly. For a child placed in foster care where the permanency goal is long-term foster care, the worker is required to visit the child at least quarterly.

In six of 27 cases tested, the required visits were not made by the service worker.

Recommendation – The Department should implement procedures to ensure compliance with the Iowa Administrative Code.

Response –

- (a) The DHS Service Help Desk has a bi-monthly teleconference call with all service field staff. On June 23, 2005, the Service Help Desk staff will review the requirement with field staff that they are responsible for checking twenty percent or more of all child development homes in each county per calendar year.
- (b) The DHS Service Help Desk has a bi-monthly teleconference call with all service field staff. The requirements for in-home health care will be reviewed on June 23, 2005. Also, a referral is being made to the Division of Behavioral, Developmental and Protective Services (BDPS) to study the timeframes for review by physician, nurse and service worker. BDPS has been considering aligning timeframes so they are the same. Field support will request an update by June 17, 2005 from BDPS with recommendations by September 1, 2005.
- (c) The DHS Service Help Desk has a bi-monthly teleconference call with all service field staff. The requirements for in-home health care will be reviewed on June 23, 2005.

Conclusion – Response accepted.

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- (4) Executive Order Number 25 – State agencies are directed to participate in the state service procurement program outlined in Executive Order Number 25. Executive Order Number 25 states all agencies in the executive branch of state government shall procure services in accordance with Iowa Code Chapters 8.47 and 18.3 and all administrative rules developed in accordance with the Iowa Accountable Government Act. Contracts entered into before October 1, 2002 are governed under Department of Administrative Services – State Accounting Enterprise (DAS – SAE) Pre-Audit Procedure No. 240.102. Contracts entered into after October 1, 2002 are governed under Iowa Administrative Code Chapters 105 through 107.

For fiscal year 2004, 25 contracts were reviewed. Of the 25 reviewed, eleven were entered into before October 1, 2002 and fourteen were entered into after October 1, 2002.

- (a) For contracts entered into before October 1, 2002, DAS - SAE Pre-Audit Procedure No. 240.102, Section IV, Paragraph (9) states in part that contracted services are not to be performed until all signatures are obtained. Four of eleven contracts reviewed did not have signatures from all parties prior to commencement of contracted services.
- (b) The following compliance items were noted for contracts entered into after October 1, 2002:
- (i) Section 11 Chapter 106.12(2) of the Iowa Administrative Code requires, except in an emergency procurement, services shall not be performed pursuant to a service contract for a state agency until all parties to the contract have signed the contract. Eight of fourteen contracts reviewed did not have signatures from all parties prior to commencement of contracted services.
- (ii) Section 11 Chapter 105.18(1) of the Iowa Administrative Code requires the Department shall periodically, but at least directly prior to renewal of a master agreement, review the performance of vendors. This review will help determine whether the vendor is a responsible bidder for future projects. One of fourteen contracts reviewed did not have documentation of review of the performance of the vendor.
- (iii) Section 11 Chapter 107.4 of the Iowa Administrative Code states in part that all service contracts entered into by a department or establishment shall include, at a minimum, a payment clause, monitoring clause and review clause. One of fourteen contracts reviewed did not contain a payment clause, monitoring clause or review clause.

Recommendation – The Department should implement procedures for procuring services to ensure compliance with DAS – SAE Pre-Audit Procedures and the Iowa Administrative Code.

Response – The Department recognizes the importance of having procedures to ensure compliance with DAS – SAE Pre-Audit Procedures and the Iowa Administrative Code for the procurement of services. The Department has such procedures in place and has made a targeted effort to provide staff with the technical assistance and tools needed to comply with all contracting requirements. In February 2004, the Department established an additional staff position whose duties include random quality review of service contracts to assure they include all required terms and conditions, the development of desk aides, training presentations and best practice procedures, as well

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as providing technical assistance. In February 2005, the Department issued a staff guidebook that provides fundamental information and links to assist staff in the appropriate procurement of service contracts.

The Department will continue its focus on strengthening the Department's procedures to assure consistency in practice and compliance with state policy and rules.

Conclusion – Response accepted.

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Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Hanft, CPA, Manager
Kimberly M. Knight, CPA, Senior Auditor
Tammy L. Mason, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Randi J. Rowedder, CPA, Senior Auditor II
Mary Crystal A. Berg, CPA, Staff Auditor
Dustin S. Boxa, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Jennifer R. Edgar, Staff Auditor
Brad T. Holtan, Staff Auditor
Sheila M. Jensen, Staff Auditor
Jake P. Keegan, Staff Auditor
Don N. Miksch, Staff Auditor
Kelly V. Rea, CPA, Staff Auditor
Natalie J. Storm, CPA, Staff Auditor
Nicole B. Tenges, Staff Auditor
Candice R. Meester, Assistant Auditor
Andrea M. Pothast, Assistant Auditor
Scott D. Trauger, Assistant Auditor
Bobbie J. Zediker, Assistant Auditor